

October 10, 2011

Natural Gas Trends

Highlights

'BI-DIRECTIONAL' LNG



One request approved, another pending. Last Friday, the U.S. Department of Energy (DOE) approved a request from Dominion Cove Point LNG, LP (DCP) to **export** up to one billion cubic feet per day of domestically produced liquefied natural gas (LNG), over a 25-year period, from DCP's Cove Point LNG terminal located on the Chesapeake Bay in Maryland to 15 current and all future Free Trade Agreement nations. Still

pending is DCP's request to **export** LNG to any other nation with which the U.S. does not prohibit trade.

Pivotal factor. Currently, LNG is **imported** at DCP's Cove Point terminal. To **export** LNG, DCP would need to construct a liquefaction facility to liquefy natural gas for transport by vessel to other nations. According to DCP, none of the current Free Trade Agreement nations imports significant quantities of LNG. Thus, a pivotal factor in DCP's decision to move forward with construction of a liquefaction facility will be the DOE's approval, or not, of DCP's pending request to **export** LNG to non-Free Trade Agreement nations with which the U.S. does not prohibit trade.

Economic benefits. According to economic studies filed with DCP's application, the **export** of LNG from this facility would, over the 25-year term, create 14,600 permanent **jobs**, add \$22 billion to government coffers from royalties and other revenues, bring \$9.8 billion in royalty income to landowners, add \$40 million annually to the property tax base of the affected county, and reduce the U.S. trade imbalance by at least \$2.8 billion annually, up to \$7.1 billion annually.

Other approvals needed. In addition to DOE approvals, DCP must obtain environmental and regulatory approvals from the Federal Energy Regulatory Commission, other federal, state, and local government authorities, and DCP's Board of Directors. DCP is a subsidiary of Dominion Resources, Inc., a producer and transporter of energy, and operator of the largest natural gas storage system in the U.S.

Sources: www.dom.com and Daniel Donovan, DCP Media Relations
Photo: Courtesy of FERC

Data

- November Natural Gas Futures Contract (as of October 7), NYMEX at Henry Hub closed at \$3.481 per million British thermal units (MMBtu)
- November Light, Sweet Crude Oil Futures Contract (as of October 7), NYMEX at Cushing closed at \$82.98 per U.S. oil barrel (Bbl.) or approximately \$13.21 per MMBtu

Last week: U.S. lower, Texas higher than normal

For the week beginning 10/2/11 and ending 10/8/11, cooling degree days were higher than normal for Texas and lower than normal for the U.S. For the cooling season (1/1/11 to 12/31/11), cumulative cooling degree days were 31% above normal for Texas and 22% above normal for the U.S. Source: www.cpc.ncep.noaa.gov

COOLING DEGREE DAYS (CDD)

City or Region	Total CDD for week ending 10/8/11	* Week CDD +/- from Normal	Year-to-date total CDD	* YTD % +/- from Normal
Amarillo	28	+ 13	2210	+ 65 %
Austin	66	0	3390	+ 22 %
Dallas – FW	67	+ 23	3492	+ 41 %
El Paso	57	+ 25	3076	+ 39 %
Houston	68	+ 7	3673	+ 37 %
San Antonio	81	+ 14	3740	+ 32 %
Texas**	60	+ 8	3263	+ 31 %
U.S.**	12	- 7	1421	+ 22 %

* A minus (-) value is cooler than normal; a plus (+) value is warmer than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which CDDs are calculated.

** State and U.S. degree days are population-weighted by NOAA.

Last week: U.S. natural gas storage at 3,312 Bcf

For the week ending 9/23/11, U.S. working gas in storage increased from 3,201 to 3,312 Bcf, compared to 3,403 Bcf in storage a year ago and compared to an average of 3,307 Bcf in storage during the 5-year period from 2006 to 2010. Working gas in storage in the producing region (which includes Texas) increased from 1,003 to 1,036 Bcf.

Source: www.eia.doe.gov

U.S. WORKING GAS IN STORAGE

Region	Week ending 9/30/11	Prior Week	One-week Change	Current Δ from 5-YR Average (%)
East	1,881	1,820	+ 61	- 1.7 %
West	468	456	+ 12	+ 1.5 %
Producing	1,060	1,036	+ 24	+ 5.4 %
Lower 48 Total	3,409	3,312	+ 97	+ 0.8 %

Lower 48 states, underground storage, units in billion cubic feet (Bcf)

Last week: Gas Rig Count up 12 to 935

The **gas** rig count for the U.S. was up 12 when compared to the prior week, yet down 36 when compared to 12 months ago. The U.S. **total** rig count was up 22 when compared to the prior week, and up 341 when compared to 12 months ago.

Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT

	As of 10/7/11	+/- Prior Week	Year Ago	+/- Year Ago
U.S. total	2012	+ 22	1671	+ 341
Gas	935	+ 12	971	- 36
Oil	1070	+ 10	690	+ 380
Texas	912	+ 8	727	+ 185
N. Amer.	2534	+ 34	2074	+ 460

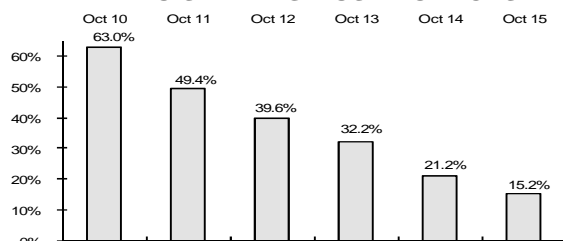
Numbers are excerpted and not meant to be totaled

This week: U.S. energy use steadily falls

U.S. energy use is forecasted to steadily fall throughout the week, according to the Dominion Energy Index, as shown below. Dominion forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index

U.S. ENERGY USE FORECAST

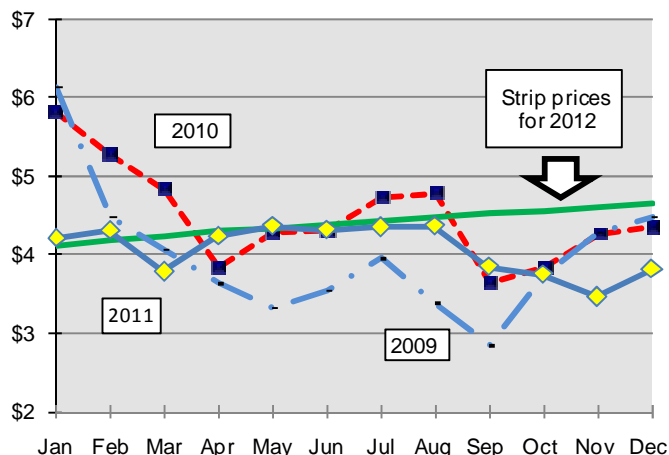


NATURAL GAS PRICE SUMMARY AS OF 10/7/11

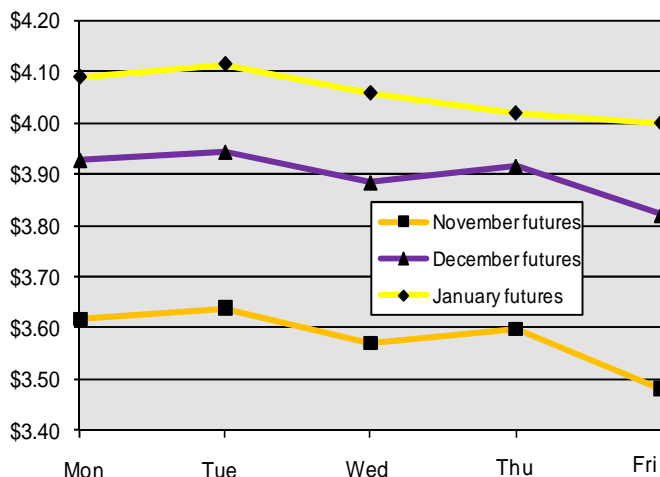
	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US November fu- tures				
NYMEX	\$3.481	-\$0.185	-\$0.786	\$3.986

Strip prices. The natural gas strip price, shown below in green, is the average of daily settlement prices, by month, for 2012 gas futures contracts.

NYMEX HENRY HUB FUTURES PRICES



NYMEX NATURAL GAS PRICE MOVEMENT 10/3/11 - 10/7/11



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